

Texas Transportation Commission Quarterly Investment Report



May 31, 2021



An aerial photograph of a city, likely Houston, showing a complex highway interchange with multiple lanes and overpasses. The city skyline is visible in the background with various skyscrapers. The entire image has a blue color cast. Overlaid on the center of the image is the text "Connecting You with TEXAS".

Connecting
You with **TEXAS**

Table of Contents

Management’s Certification of the Quarterly Investment Report ii

U.S. Treasury Historical Yields..... 1

Central Texas Turnpike System Funds..... 2

 Investment Activity 2

 Schedule 1 – Investments 3

 Schedule 2 – Allocation by Account 4

 Schedule 3 – Maturity Distribution and Quarter End Comparison 5

 Schedule 4 – Investments by Security Type 6

I-35E Managed Lanes Project Funds..... 7

 Investment Activity 7

 Schedule 1 – Investments 8

 Schedule 2 – Maturity Distribution and Quarter End Comparison 9

 Schedule 3 – Investments by Security Type 10

Prepaid TxTag Account 11

 Investment Activity 11

 Schedule 1 – Investments 12

 Schedule 2 – Maturity Distribution and Quarter End Comparison 13

 Schedule 3 – Investments by Security Type 14

SH 249 System Funds 15

 Investment Activity 15

 Schedule 1 – Investments 16

 Schedule 2 – Allocation by Account 17

 Schedule 3 – Maturity Distribution and Quarter End Comparison 18

 Schedule 4 – Investments by Security Type 19

Management's Certification of the Quarterly Investment Report

I certify that I have reviewed the Quarterly Investment Report as of and for the quarter that ended May 31, 2021 prepared on behalf of the Texas Transportation Commission (the Commission). To the best of my knowledge and belief:

- In all material respects, the Quarterly Investment Report was prepared in accordance, with the guidelines presented in Texas Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the Commission's investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
- There have been no material misrepresentations in the report by the inclusion or exclusion of information.
- An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report, and there were no material weaknesses in internal controls during the period covered by the report.
- An independent accountant's report on agreed-upon procedures to review management's compliance with the Public Funds Investment Act is conducted annually. The report is presented to the Commission.

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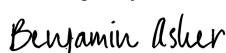


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Stephen Stewart

Chief Financial Officer

Investment Officer

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Benjamin H. Asher

Director, Project Finance, Debt & Strategic Contracts Division

Investment Officer

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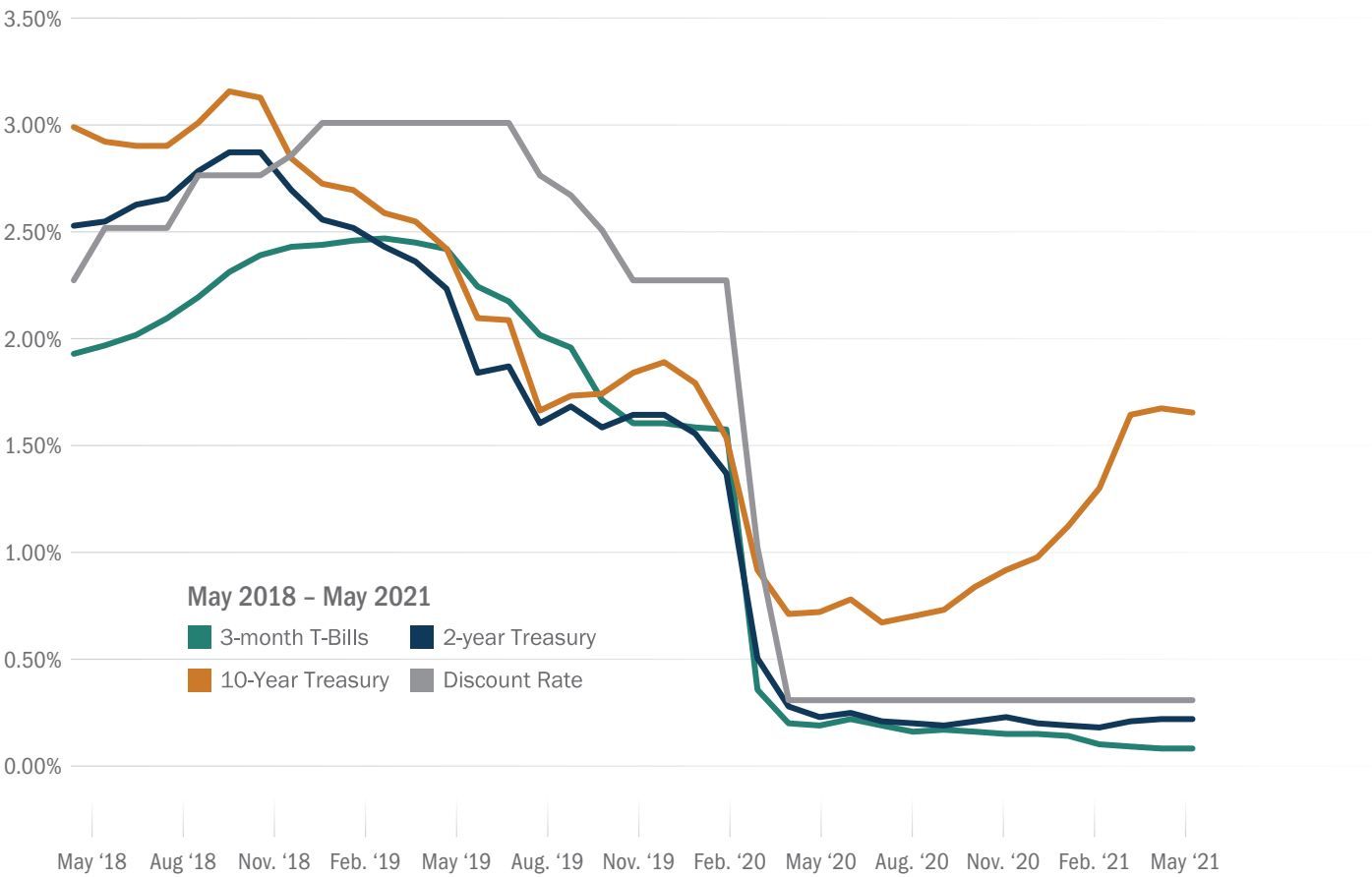


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Jennifer Wright

Project Finance & Debt Director

Investment Officer

U.S. Treasury Historical Yields





Central Texas Turnpike System Funds

MANAGEMENT DISCUSSION

In 2002, the Commission entered an Indenture of Trust establishing funds and accounts related to the financing of the 2002 Project of the Central Texas Turnpike System (CTTS). CTTS investments are held by The Bank of New York Mellon, acting as trustee. The funding of investments includes bond proceeds, capital contributions for the purpose of financing the 2002 Project, revenues derived from operation of CTTS toll roads, and related investment earnings.

Suitable investments have been selected using the following criteria and priorities pursuant to the Commission's investment policy and the CTTS investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

The investment instruments described in Schedule 1 are in compliance with the Texas Public Funds Investment Act, the Commission's investment policy, and the CTTS investment strategy.

INVESTMENT ACTIVITY

Investment income for the quarter: \$1,715,995, yield 1.07%.

The Guaranteed Investment Contract is intended to be held to the maturity date of August 15, 2022.

CURRENT STRATEGY

The Capital Contributions account is invested to match planned expenditures. The investment strategy, however, remains guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for May 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.02%
- 2-Year Treasury: 0.16%
- 10-Year Treasury: 1.62%
- Discount Rate: 0.25%

CTTS Schedule 1 – Investments

Income for Quarter: \$1,715,995

Yield for Quarter: 1.07%

Description	Yield	Maturity Date	Book Value	Fair Value ¹
<i>Liquid Investments</i>				
<i>Money Market</i>				
JP Morgan Govt MMKT Fund	0.03%	N/A	1,439,803	1,439,803
<i>TexPool ²</i>				
Local Government Investment Pool	0.01%	N/A	87,775,430	87,775,430
Prime	0.08%	N/A	250,568,381	250,568,381
<i>U.S Government Securities</i>				
Freddie Mac Agency Notes	0.27%	08/23/23	20,005,600	20,005,600
Freddie Mac Agency Notes	0.27%	08/23/23	20,005,600	20,005,600
Freddie Mac Agency Notes	0.63%	11/25/25	19,844,600	19,844,600
Freddie Mac Agency Notes	0.63%	11/25/25	19,844,600	19,844,600
Federal Home Loan Bank Notes	0.88%	04/23/26	7,500,675	7,500,675
<i>Guaranteed Investment Contract ³</i>				
Citigroup Global Markets Inc. GIC (CUSIP S86538450)	5.20%	08/15/22	114,999,379	114,999,379
<i>Accounts Held by Texas Treasury Safekeeping Trust Company</i>				
Operating, Maint. and Reserve Maint.	0.01%	N/A	33,610,252	33,610,252
<i>Accounts Held by the Comptroller</i>				
Operating, Maint. and Reserve Maint.	0.34%	N/A	68,521,974	68,521,974
			\$ 644,116,293	\$ 644,116,293

Notes:

¹ For the quarter, \$82,275 was booked for changes in the fair value of investments. All investments are intended to be held to maturity.

² These local government investment pools seek to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.

³ This security was purchased under the terms of a forward purchase agreement that was executed in August 2002 at rates that were currently available at that time.

Fair values are reported on monthly account statements. Totals may not up add up due to rounding.

CTTS Schedule 2 – Allocation by Account

2/28/2021

Description	Revenue Fund	1st Tier Interest Account ^(A)	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest ^(B)	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC ^(C)	Portfolio Total
JP Morgan Government MM	8,232,351	19	36,484,480	8,973,700	-	-	158	-	-	-	\$ 53,690,707
Morgan Stanley Government MM	-	-	-	-	28,939,463	669	-	-	-	-	\$ 28,940,132
U.S. Treasury Notes	-	-	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Bill	-	-	-	-	-	-	-	-	-	-	\$ -
U.S. Government Agency	-	-	-	-	-	39,809,400	39,809,400	-	-	-	\$ 79,618,800
Lone Star Government	-	-	-	-	-	-	340	2,224,531	-	-	\$ 2,224,871
TexPool Government	61,684,255	-	-	1,272,291	-	13,204,808	-	-	-	-	\$ 76,161,354
TexPool Prime	-	17,881,944	-	-	-	-	27,952,090	95,576,333	-	-	\$ 141,410,367
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	\$ 114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	95,349,279	-	\$ 95,349,279
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	35,180,720	\$ 35,180,720
Totals	69,916,606	17,881,963	36,484,480	125,245,370	28,939,463	53,014,877	67,761,987	97,800,864	95,349,279	35,180,720	\$ 627,575,609

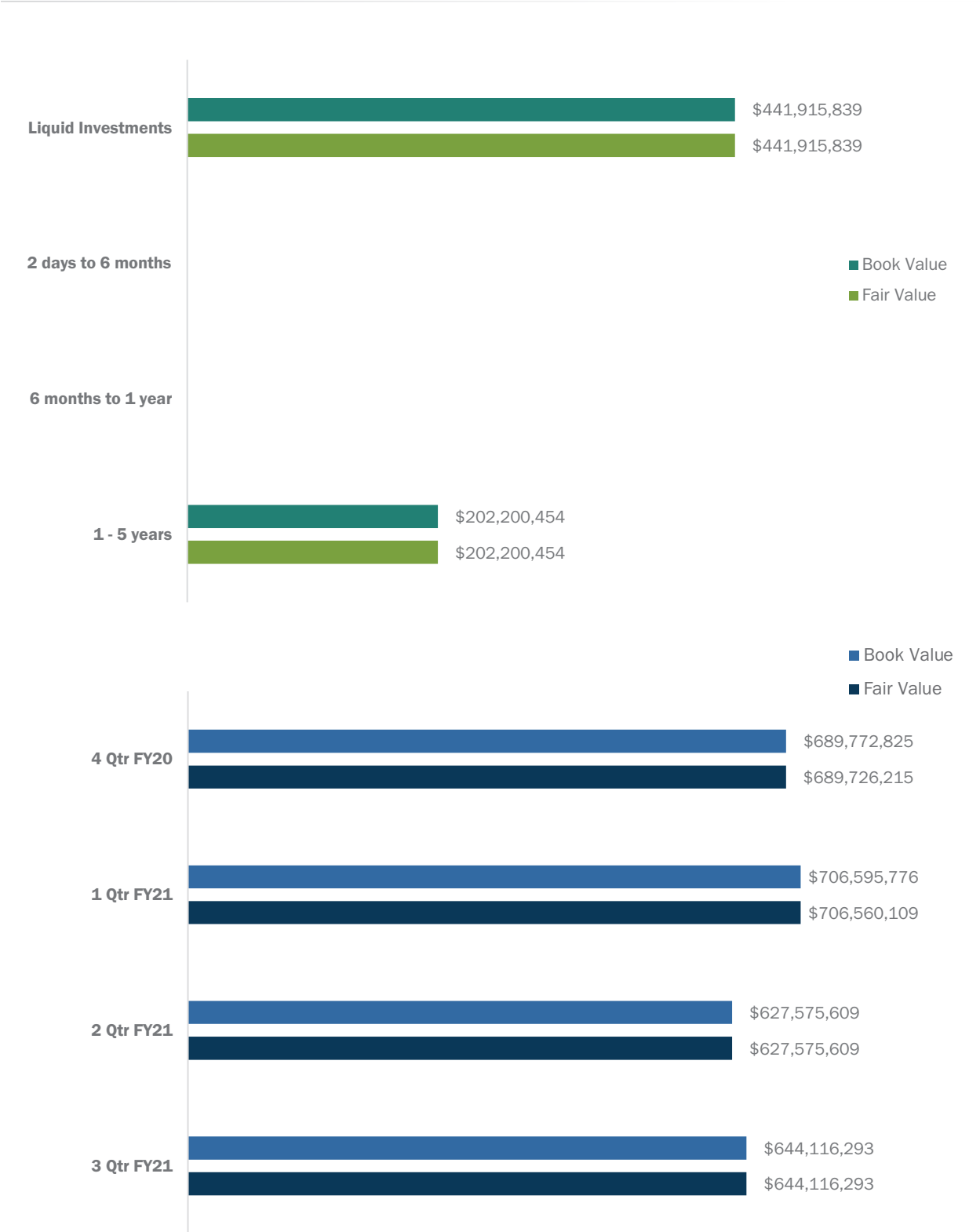
5/31/2021

Description	Revenue Fund	1st Tier Interest Account	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC ^(C)	Portfolio Total
JP Morgan Government MM	1,439,803	-	-	-	-	-	-	-	-	-	\$ 1,439,803
Morgan Stanley Govt MM	-	-	-	-	-	-	-	-	-	-	-
U.S. Treasury Notes	-	-	-	-	-	-	-	-	-	-	-
U.S. Treasury Bills	-	-	-	-	-	-	-	-	-	-	-
U.S. Government Agency	-	-	-	7,500,675	-	39,850,200	39,850,200	-	-	-	87,201,075
Lone Star Government	-	-	-	-	-	-	-	-	-	-	-
TexPool Government	87,775,430	-	-	-	-	-	-	-	-	-	87,775,430
TexPool Prime	29,379,897	17,885,823	36,487,625	2,746,440	28,941,830	13,295,436	28,048,013	93,783,318	-	-	250,568,381
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	68,521,974	-	68,521,974
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	33,610,252	33,610,252
Totals	118,595,129	17,885,823	36,487,625	125,246,494	28,941,830	53,145,636	67,898,213	93,783,318	68,521,974	33,610,252	\$ 644,116,293

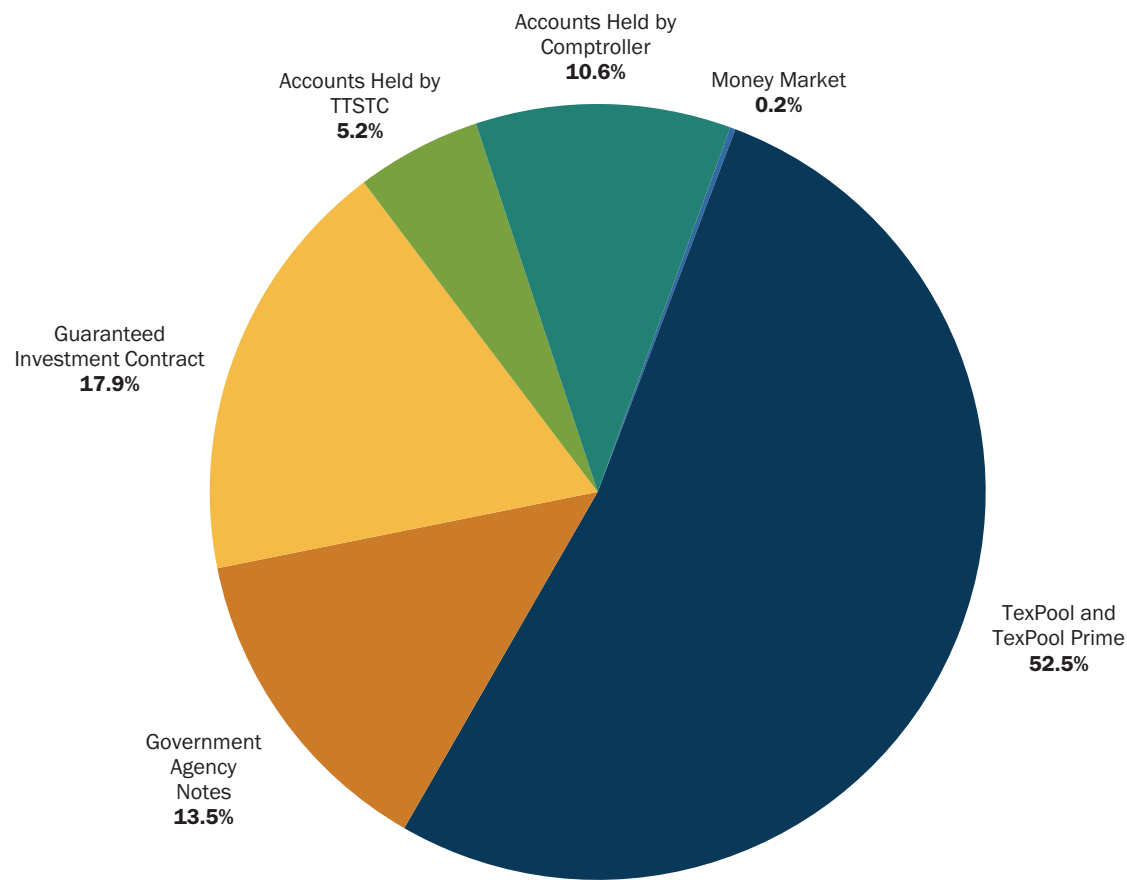
Note ^(A) - In February, \$17.9 million in debt service was paid.Note ^(B) - In February, \$28.9 million in debt service was paid.Note ^(C) - TTSTC - Texas Treasury Safekeeping Trust Company

Fair values as reported on monthly account statements. Totals may not add up due to rounding.

CTTS Schedule 3 – Maturity Distribution and Quarter End Comparison



CTTS Schedule 4 – Investments by Security Type



■ Money Market	\$1,439,803
■ TexPool Government and TexPool Prime	338,343,811
■ Government Agency Notes	87,201,075
■ Guaranteed Investment Contract	114,999,379
■ Accounts Held by TTSTC	33,610,252
■ Accounts Held by Comptrollerr	68,521,974
Total Investments (Fair Value) \$644,116,293	



I-35E Project

MANAGEMENT DISCUSSION

In 2016, the Commission entered a trust agreement with Amegy Bank, securing the toll revenue obligations of and in connection with the financing of the I-35E Managed Lanes Project. On November 3, 2016, the Commission executed a loan agreement (TIFIA Loan) with the United States Department of Transportation pursuant to the Transportation Infrastructure Finance and Innovation Act to finance a portion of the I-35E Managed Lanes Project.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the I-35E Managed Lanes Project investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio for Type I funds must be an eligible investment pursuant to the TIFIA Loan agreement. Type I funds include the Revenue Fund, Debt Service Fund, and General Fund.

INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$61,957, yield 0.32%.

CURRENT STRATEGY

Investment of this portfolio is determined by the cash flow projections for the various funds and accounts. The strategy, however, remains guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for May 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.02%
- 6-Month Treasury: 0.04%
- 1-Year Treasury: 0.05%
- 2-Year Treasury: 0.16%

I-35E Schedule 1 – Investments

Income for Quarter: \$61,957
Yield for Quarter: 0.32%

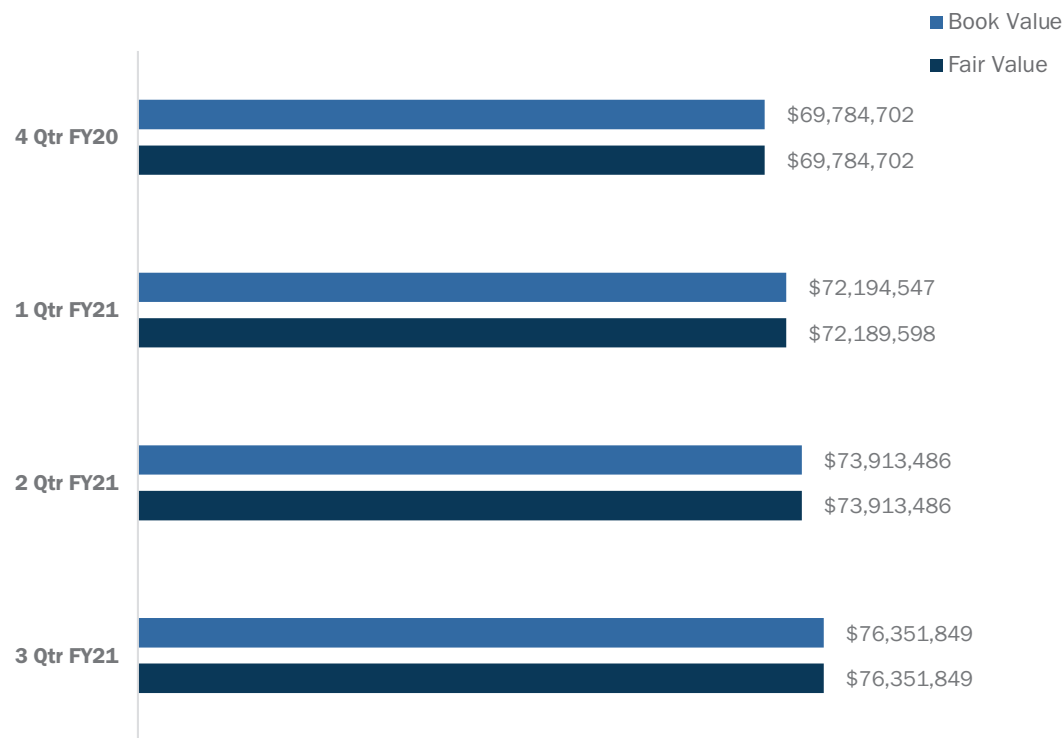
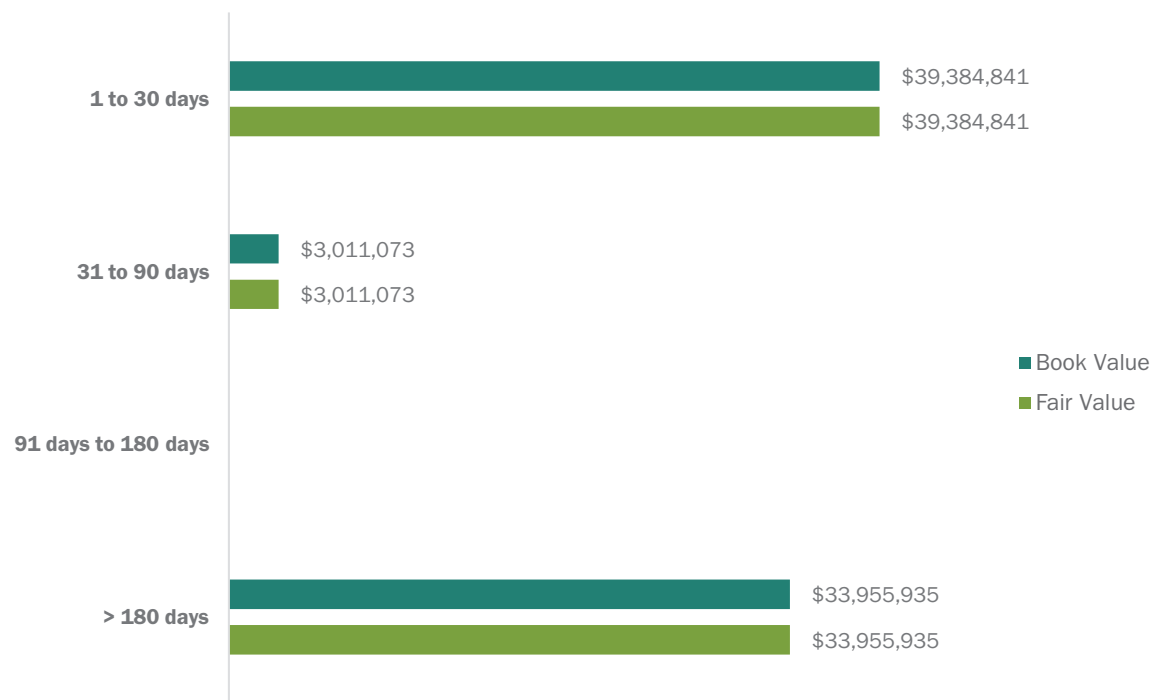
Description	Yield	Maturity Date	Book Value	Fair Value ¹
Liquid Investments				
Fidelity Treasury Portfolio	0.01%	N/A	\$ 74,297	\$ 74,297
LOGIC Investment Pool ²	0.08%	N/A	39,310,544	39,310,544

U.S Treasuries and Agencies

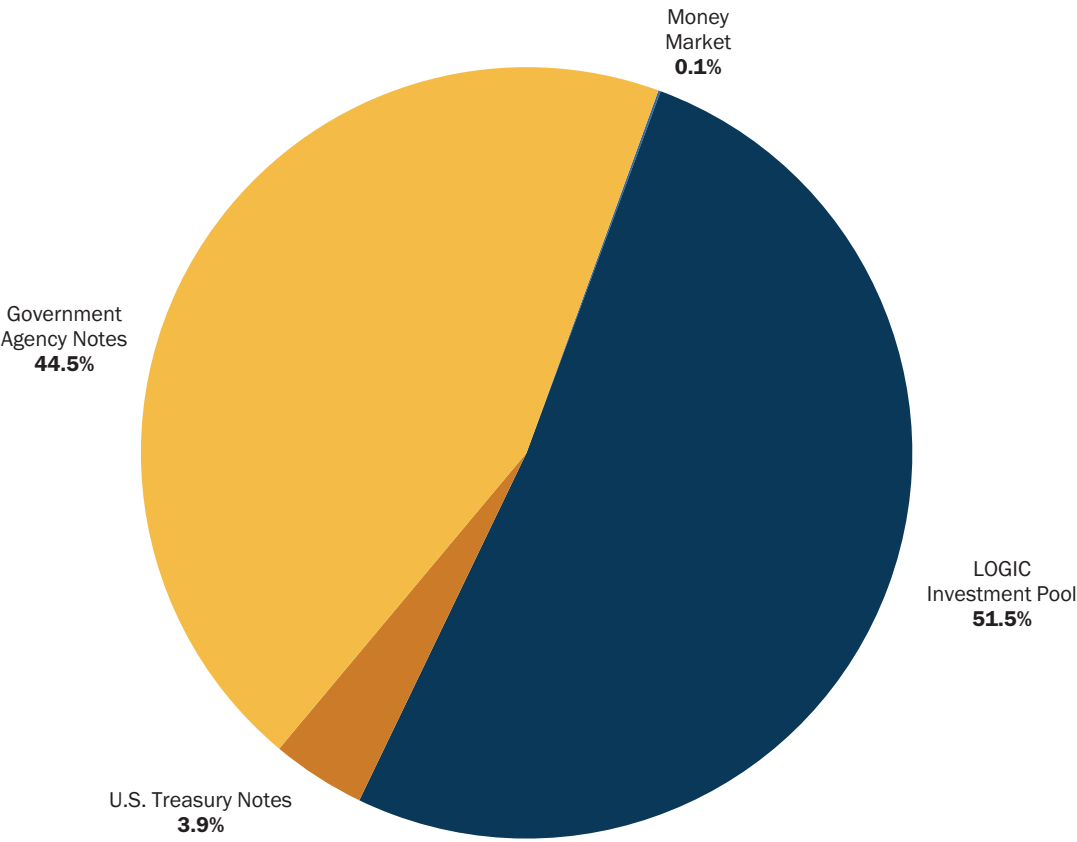
U.S. Treasury Notes	0.45%	07/31/21	3,011,073	3,011,073
Fannie Mae Agency Notes	0.35%	08/24/23	10,002,720	10,002,720
Freddie Mac Agency Notes	0.40%	02/26/24	10,000,883	10,000,883
Freddie Mac Agency Notes	0.50%	12/09/24	5,002,537	5,002,537
Fannie Mae Agency Notes	0.56%	10/28/25	4,949,226	4,949,226
Federal Home Loan Bank Notes	1.15%	04/30/26	4,000,569	4,000,569
			\$ 76,351,849	\$ 76,351,849

Notes:
¹ For the quarter, \$20,746 was booked for changes in the fair value of investments. All investments are intended to be held to maturity.
² This local government investment pool seeks to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.
Fair values are reported on monthly account statements. Totals may not add up due to rounding.

I-35E Schedule 2 – Maturity Distribution and Quarter End Comparison



I-35E Schedule 3 – Investments by Security Type



■ Money Market	\$74,297
■ LOGIC Investment Pool	39,310,544
■ U.S. Treasury Notes	3,011,073
■ Government Agency Notes	33,955,935
Total Investments (Fair Value) \$76,351,849	

Prepaid TxTag Account

MANAGEMENT DISCUSSION

In 2007, the Texas Department of Transportation entered a Master Lockbox and Custodial Account Agreement securing funds from the operation of certain toll roads, including the Prepaid TxTag Account funds. Investments of the Prepaid TxTag Account are held by The Bank of New York Mellon, acting as custodian.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the Prepaid TxTag investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio are restricted to:

- 1) U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest;
- 2) Federal Agency or U.S. government sponsored enterprises (GSE) obligations, participations or other instruments; and
- 3) Securities and Exchange Commission registered money market funds.

Further restrictions on the portfolio include:

- 1) Only 20% of the custodial account can be investment with a final maturity not to exceed two years from the date of purchase.
- 2) Maximum weighted average maturity for the investments may not exceed 240 days at any time.

The investment instruments described in Schedule 1 are in compliance with the Texas Public Funds Investment Act, the Commission's investment policy, and the Prepaid TxTag Account investment strategy.

INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$4,765, yield 0.04%.

CURRENT STRATEGY

Invest the portfolio for diversification into 6-9 month maturity sector. The strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for May 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.02%
- 6-Month Treasury: 0.04%
- 1-Year Treasury: 0.05%
- 2-Year Treasury: 0.16%

TxTag Schedule 1 – Investments

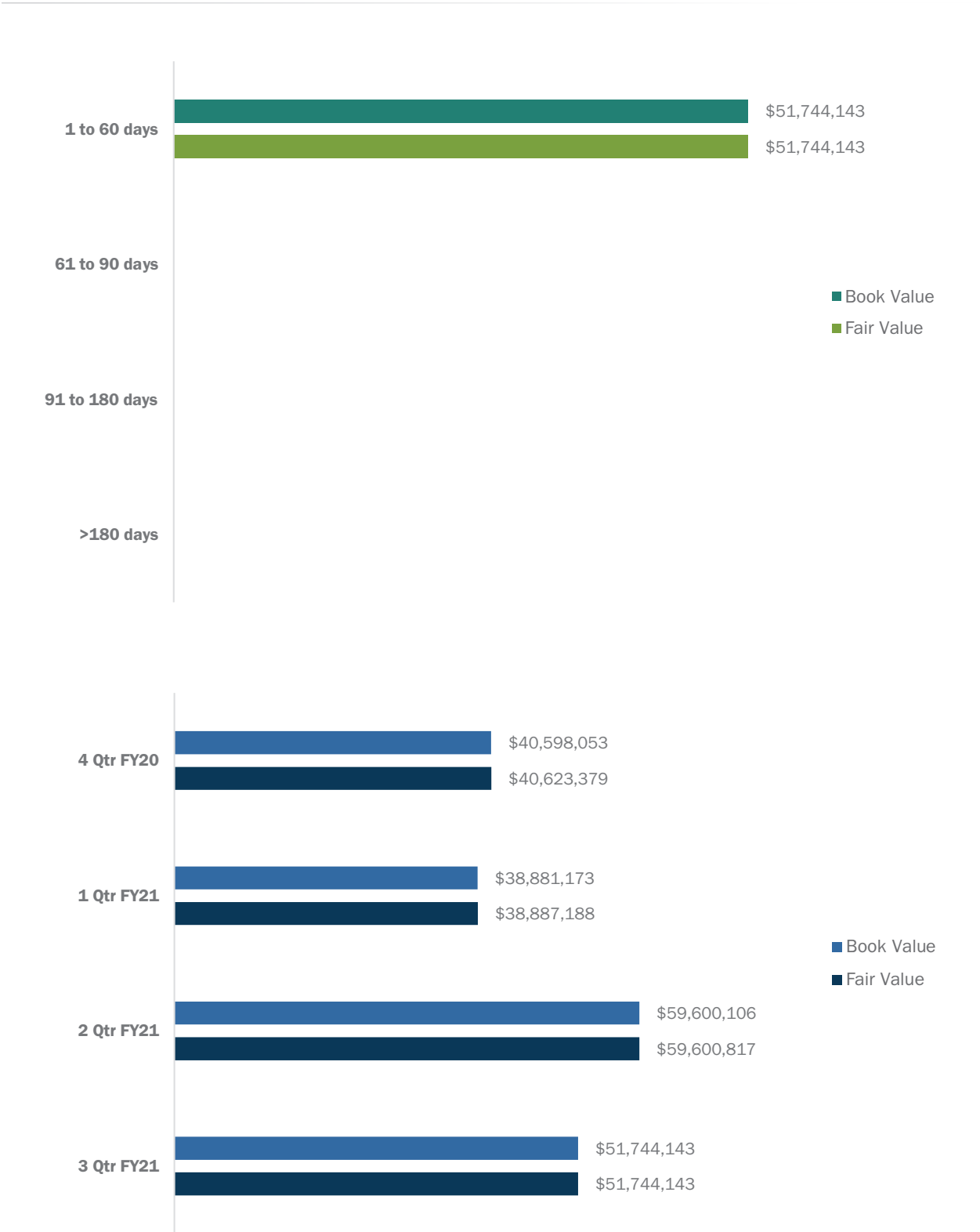
Income for Quarter: \$4,765
Yield for Quarter: 0.04%

Description	Yield	Maturity Date	Book Value		Fair Value ¹
Liquid Investments					
BlackRock FedFund MM	0.03%	N/A	\$	51,744,143	\$ 51,744,143
			\$	51,744,143	\$ 51,744,143

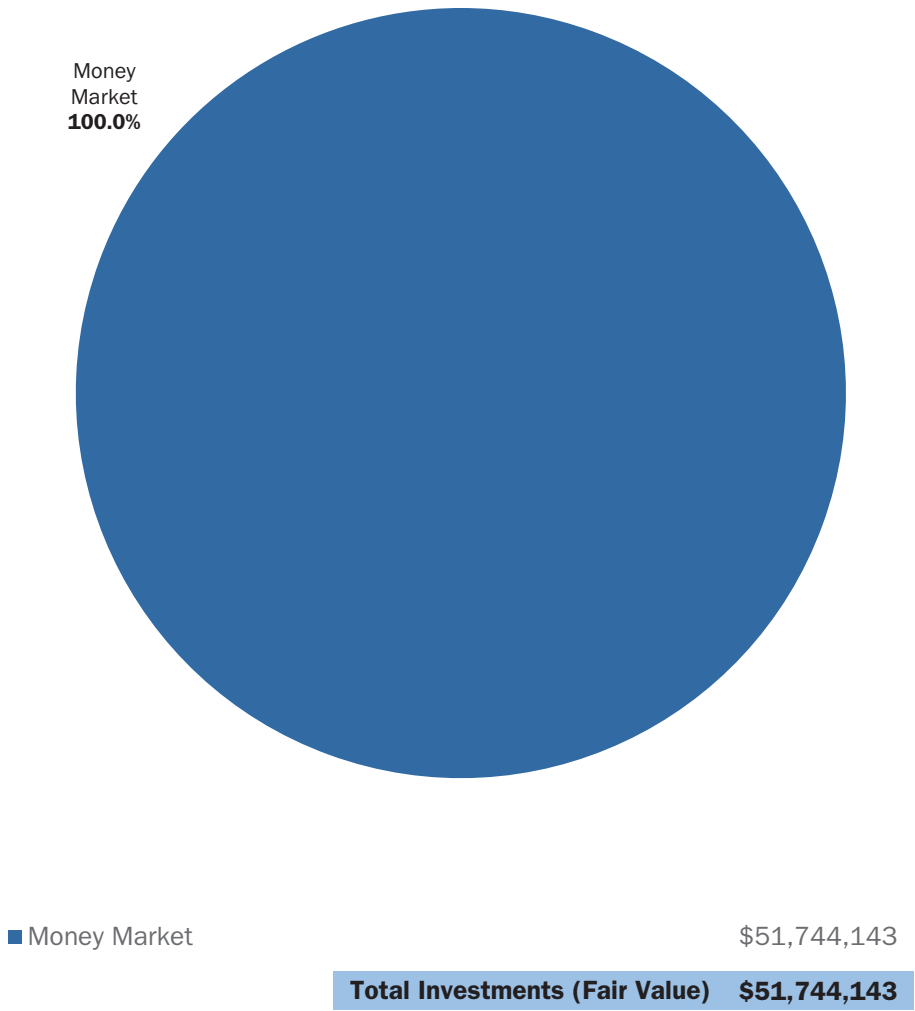
Notes:
¹ For the quarter, \$0 was booked for changes in the fair value of investments. All investments are intended to be held to maturity.

Fair values are reported on monthly account statements. Totals may not add up due to rounding.

TxTag Schedule 2 – Maturity Distribution and Quarter End Comparison



TxTag Schedule 3 – Investments by Security Type





SH 249 System Funds

MANAGEMENT DISCUSSION

In 2019, the Texas Transportation Commission entered a Master Trust Agreement securing toll revenue obligations related to the financing of the SH 249 System. Investments are held by U.S. Bank National Association as trustee.

Suitable investments have been determined using the following criteria and priorities pursuant to the Commission's investment policy and the SH 249 System investment strategy:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

INVESTMENT ACTIVITY

Interest and investment income for the quarter: \$91,506, yield 0.64%.

CURRENT STRATEGY

Investment of this portfolio is largely based on the cash flow projections for bond proceeds.

The strategy is guided by the following principles: safety of principal, liquidity, and yield, in that order.

CURRENT MARKET CONDITIONS

U.S. Treasury yields reflect monthly averages for May 2021 as posted by the Federal Reserve.

- 3-Month Treasury: 0.02%
- 6-Month Treasury: 0.04%
- 1-Year Treasury: 0.05%
- 2-Year Treasury: 0.16%

SH 249 Schedule 1 – Investments

Income for Quarter: \$91,506
Yield for Quarter: 0.64%

Description	Yield	Maturity Date	Book Value		Fair Value ¹
Liquid Investments					
Fidelity Treasury Portfolio	0.01%	N/A	\$	11,646,937	\$ 11,646,937
Morgan Stanley Treasury Portfolio	0.03%	N/A		5,832	5,832
Goldman Treasury Portfolio	0.03%	N/A		45,006	45,006
TexPool Local Government Investment Pool ²	0.01%	N/A		31,424,737	31,424,737

U.S Government Securities

U.S. Treasury Notes	0.45%	07/31/21		4,014,760		4,014,760
U.S. Treasury Notes	0.45%	07/31/21		10,036,900		10,036,900

\$	57,174,172	\$	57,174,172
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Notes:

¹ For the quarter, (\$87,120) was booked for changes in the fair value of investments. All investments are intended to be held to maturity.
² This local government investment pool seek to maintain a one dollar per share as required by the Texas Public Funds Investment Act.

Fair values are reported on monthly account statements. Totals may not add up due to rounding.

SH 249 Schedule 2 – Allocation by Account

2/28/2021

Description	Revenue Account	Construction Account	2019A Capitalized Interest Account ^(A)	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account ^(B)	Taxable 2019B First Tier Reserve Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	-	-	148,632	62,502	-	-	- \$	211,134
Goldman Sachs Government MM	-	-	-	-	-	-	45,002 \$	45,002
Morgan Stanley Government MM	-	-	-	-	5,832	-	- \$	5,832
TexPool Government	-	5,678,371	5,192,448	14,291,150	334,123	1,309,616	6,188,110 \$	32,993,818
U.S. Treasury Notes	-	-	10,092,200	10,009,700	-	-	4,036,880 \$	24,138,780
Totals	0	5,678,371	15,433,280	24,363,352	339,954	1,309,616	10,269,992 \$	57,394,566

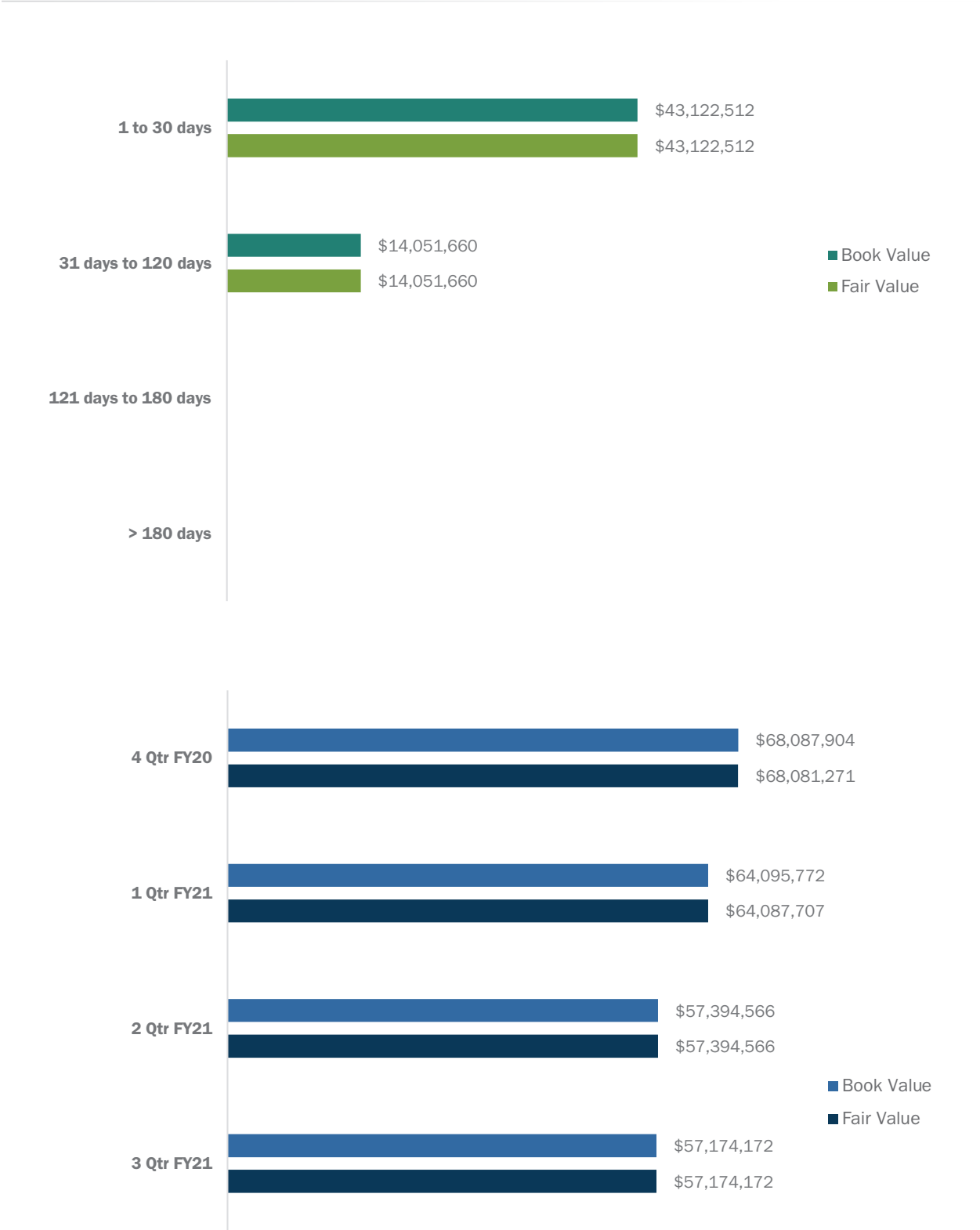
5/31/2021

Description	Revenue Account	Construction Account	2019A Capitalized Interest Account ^(A)	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account ^(B)	Taxable 2019B First Tier Reserve Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	1,373,213	-	148,635	10,125,089	-	-	- \$	11,646,937
Goldman Sachs Government MM	-	-	-	-	-	-	45,006 \$	45,006
Morgan Stanley Government MM	-	-	-	-	5,832	-	- \$	5,832
TexPool Government	-	4,108,317	5,192,633	14,291,659	334,135	1,309,663	6,188,330 \$	31,424,737
U.S. Treasury Notes	-	-	10,036,900	-	-	-	4,014,760 \$	14,051,660
Totals	1,373,213	4,108,317	15,378,168	24,416,748	339,966	1,309,663	10,248,096 \$	57,174,172

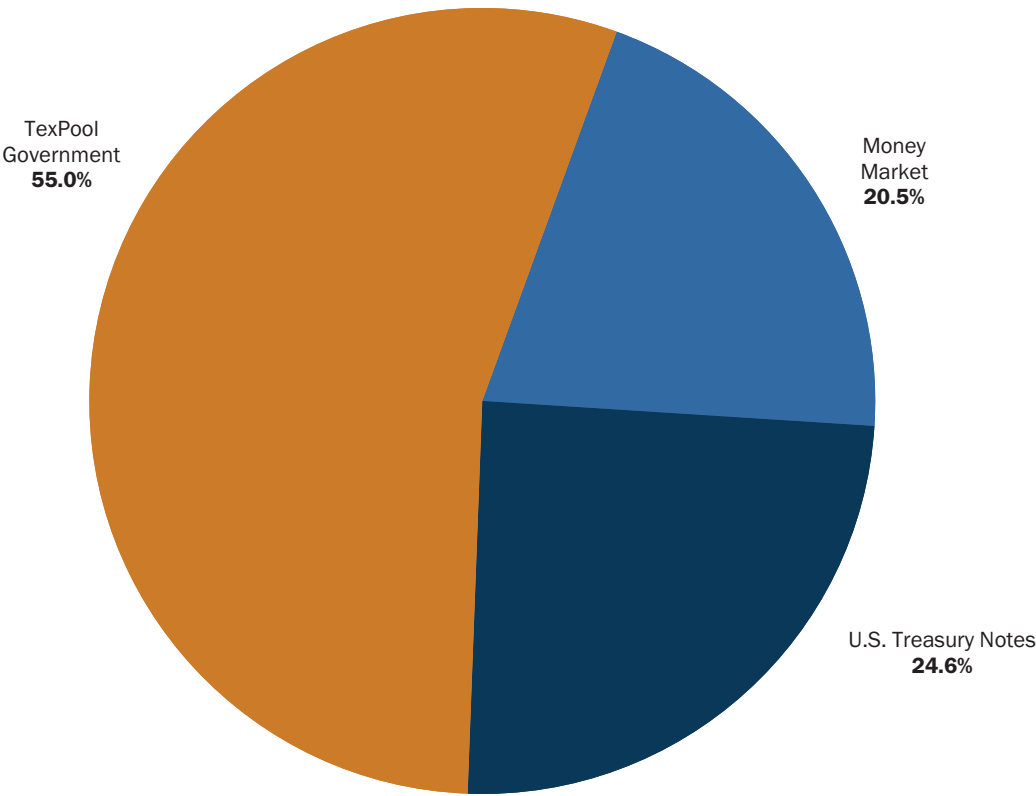
Note ^(A) - In February, \$3.6 million in capitalized Interest was paid.Note ^(B) - In February, \$297K in capitalized Interest was paid.

Fair values as reported on monthly account statements. Totals may not add up due to rounding.

SH 249 Schedule 3 – Maturity Distribution and Quarter End Comparison



SH 249 Schedule 4 – Investments by Security Type



■ Money Market	\$11,697,775
■ U.S. Treasury Notes	\$14,051,660
■ TexPool Government	\$31,424,737
Total Investments (Fair Value) \$57,174,172	

